

2. Budget resolution by Council

EXTRACT FROM THE MINUTES OF A SPECIAL COUNCIL MEETING HELD ON 28 JUNE 2017 AT 11:15 IN THE TOWN HALL, HOOPSTAD

"4 / 06 ANNUAL BUDGET: 2017 / 2018 FINANCIAL YEAR

MINUTES : SPECIAL COUNCIL MEETING

DATE : 28 JUNE 2017

1. PURPOSE

This item is submitted to Council for consideration and approval of the Annual Budget for the 2017 / 2018 financial year as required by the Municipal Finance Management Act, 2003 [Act 56 of 2003].

2. BACKGROUND

In terms of the Municipal Finance Management Act, 2003, Act 56 of 2003, section 24 (2)(a), the annual budget of the Municipality must be approved before the start of the new financial year, section 24 (2)(b), annual budget is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i) and section 24 (2)(c) annual budget of the Municipality must be approved together with the adoption of resolutions as may be necessary.

It is crucial that the municipal council approves the annual budget before the start of the financial year [i.e. approval must be done by the latest 30 June 2017.] Failure by Council to approve the annual budget before the beginning of the financial year would mean that the Mayor must report to the member of the executive council responsible for local government in the province, highlighting the reasons why the budget could not be approved.

3. STAKEHOLDERS CONSULTED

- ♦ Free State Provincial Treasury
- ♦ CoGTA
- ♦ Community

4. LEGAL IMPLICATIONS

- ♦ Compliance with Municipal Finance Management, 2003 [Act 56 of 2003.]
- ♦ Compliance with Municipal Budget and Reporting Regulations.

5. STAFF IMPLICATIONS

- ♦ None.

6. FINANCIAL IMPLICATIONS

Approval of the item as submitted will constitute the approved annual operating revenue budget; operating expenditure budget, annual capital expenditure budget and funding sources for the annual capital expenditure budget for the 2017 / 18 financial year.

The following are the proposed tariff increases for 2017 / 2018 financial years:

- ♦ Property Rates : 0 % for agricultural properties
- ♦ Property Rates : 6.36 % for all other properties
- ♦ Water : 6.36 %
- ♦ Refuse : 6.36 %
- ♦ Sanitation : 6.36 %
- ♦ Electricity : 1.88%

All other tariff increases are as per the tariff list of the municipality.

The salaries are budgeted at 7.36% increase as per the South African Local Government Bargaining Council collective agreement.

7. RISKS

- ♦ The municipality maybe unable to render services to the community due to none availability of financial resources if the budget is not approved.
- ♦ Section 139 of the Constitution may be imposed on the Council of the Municipality

8. ANNEXURE

- ♦ Budget with table A1 – A10 in terms of the Municipal Budget and Reporting Regulations
- ♦ **CD containing Budget Related Policies**
- ♦ Annual tariffs
- ♦ Quality certificate by the Municipal Manager

9. RECOMMENDATION

1. Council hereby resolve that the annual budget of the Municipality for the financial year 2017 / 2018, 2018 / 2019 and 2019 / 2020 be approved as set out in:
 - [a] Table A1: Budgeted Summary
 - [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification]
 - [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote]
 - [d] Table A4: Budgeted Financial performance [revenue & expenditure]
 - [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding
 - [f] Table A6: Budgeted financial position
 - [g] Table A7: Budgeted cash flow

- [h] Table A8: Cash backed reserves/accumulated surplus reconciliation
 - [i] Table A9: Asset Management
 - [j] Table A10: Basic Services Delivery Measurement
2. Council hereby resolve that the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2017.
 3. Council hereby resolve that property rates tariffs be approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
 4. Council hereby resolve that tariffs for services charges as reflected in the tariff list be approved and implemented with effect from 1 July 2017.
 5. That Council implement the electricity tariff as approved NERSA with effect from 1 July 2017.
 6. Council hereby resolve that the following budget related policies be approved and implemented with effect from 1 July 2017:
 - (a) Budget policy
 - (b) Virement policy
 - (c) Funding and reserves policy
 - (d) Banking / cash and investment policy
 - (e) Credit Control and debt collection policy
 - (f) Indigent support policy
 - (g) Bad debt write-off policy
 - (h) Property rates policy
 - (i) Tariffs policy
 - (j) Supply chain management policy
 - (k) Asset management policy
 - (l) Deposit policy
 - (m) Customer care policy
 - (n) SCM Policy on infrastructure assets
 - (o) Petty cash management policy
 7. Council hereby resolve that effective from 1 July 2017, Phahameng and Tikwana must be billed on consumption based tariffs, and the flat rate will only be charged on properties that do not have water meters.
 8. Council hereby resolve that a resolution which was taken on 27 July 2016, which stated that consumption based tariff must be charged to Phahameng and Tikwana residents with effect from 1 July 2016 is repealed with effect from 1 July 2016.

[FOR RESOLUTION]

The Honourable Mayor delivered the 2017 /2018 budget speech to Council and it was well accepted. The budget speech is attached to this minutes as an annexure.

Minutes: Special Council Meeting: 28 June 2017

The Mayor proposed that the matter be resolved as follows and was seconded by Cllr Baleni.

1. Council hereby resolved that the annual budget of the Municipality for the financial year 2017 / 2018, 2018 / 2019 and 2019 / 2020 was approved as set out in:
 - [a] Table A1: Budgeted Summary
 - [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification]
 - [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote]
 - [d] Table A4: Budgeted Financial performance [revenue & expenditure]
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 - [f] Table A6: Budgeted financial position
 - [g] Table A7: Budgeted cash flow
 - [h] Table A8: Cash backed reserves/accumulated surplus reconciliation
 - [i] Table A9: Asset Management
 - [j] Table A10: Basic Services Delivery Measurement
2. Council hereby resolved that the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2017.
3. Council hereby resolved that property rates tariffs were approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
4. Council hereby resolved that tariffs for services charges as reflected in the tariff list was approved and be implemented with effect from 1 July 2017.
5. That Council implement the electricity tariff as approved NERSA with effect from 1 July 2017.
6. Council hereby resolved that the following budget related policies were approved and be implemented with effect from 1 July 2017:
 - (a) Budget policy
 - (b) Virement policy
 - (c) Funding and reserves policy
 - (d) Banking / cash and investment policy
 - (e) Credit Control and debt collection policy
 - (f) Indigent support policy
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7. Council hereby resolved that effective from 1 July 2017, Phahameng and Tikwana must be billed on consumption based tariffs, and the flat rate will only be charged on properties that do not have water meters.

8. Council hereby resolved that a resolution which was taken on 27 July 2016, which stated that consumption based tariff must be charged to Phahameng and Tikwana residents with effect from 1 July 2016 was repealed with effect from 1 July 2016."

CERTIFIED AS A TRUE EXTRACT

NAME : SS RABANYE

DESIGNATION : DIRECTOR CORPORATE SERVICES

SIGNATURE :



3. Executive summary

Tswelopele local municipality budget process started in August 2016, when the council of the municipality approved budget timelines as required by legislation.

Tswelopele local municipality vastly depends on grants from national government as almost 42% of its revenue is made up of equitable shares and some other grants, i.e. financial management grant, Lejweleputswa district municipality grant, and a grant from Public works.

Table SA 19 on the municipality annual budget tables clearly distinguishes between all this different allocations, total operating grant allocated to Tswelopele local municipality amount to R 62 652 000

The municipality has 11 992 households (*Census 2011*) of which over 70% are poor, currently the outstanding debtors of the municipality are standing at R 58 .4 million.

National Treasury MFMA circulars were used to guide in the compilation of the 2017/2018 Medium Term revenue and expenditure framework,

The following budget principles and guidelines informed the compilation of the 2017/2018 Medium Term revenue and expenditure framework:

- 2016/2017 MFMA Section 72 report – mid-term assessment report
- 2016/2017 Adjustment Budget
- Average CPI from 1 March 2016 to 28 February 2017.

Total revenue is anticipated to grow in the mid-term, the growth in the mid-term due to tariff increases,

The Capital expenditure is slightly increasing over two years of the mid-term.

The municipality aligned its budget to the national and provincial priorities, mentioned below are some of the National and Provincial priorities:

▣ National Priorities

- ▣ Increase access to basic services
- ▣ Sustainable employment growth through increased public investment spending

▣ Provincial priorities

- ▣ Fighting Poverty
- ▣ Reduce Crime

Tswelopele local Municipality prepared its budget with all this priorities in mind, e.g.

- Sustainable employment – Job creation through MIG and EPWP
- Provincial priority
 - Fighting Poverty

Currently the municipality has eradicated all the buckets in its jurisdiction except in new extension, and all households have access to water, mentioned below is the progress made to address any backlogs in the municipality:

- ▣ All households have access to water and sanitation
- ▣ All households are connected to public sewerage network

3.1. Operating revenue overview

Tswelopele Local Municipality has implemented revenue enhancement strategy.

The following key components were used in terms of budgeted revenue of the municipality:

- National Treasury MFMA Circulars
- Electricity Tariff increases as applied to National Electricity Regulator of South Africa
- Latest Valuation roll in terms of Municipal Property Rates Act, Act 6 of 2004 as amended
- Municipality's indigent policy
- Tariff Policy of the Municipality
- Tariff Increases for Water, Refuse and Sewerage
- Targeted revenue collection rate of 90% of the billed revenue

The table in the next page summarises the 2017/2018 revenue by source: